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ATTORNEYS FOR DEBTOR SUPERIOR AIR PARTS, INC.

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

IN RE:	§	
	§	Case No. 08-36705
	§	
SUPERIOR AIR PARTS, INC.,	§	Chapter 11
	§	
Debtor.	§	Hearing Date: February 24, 2009
	§	3:15 p.m.
	§	

**DEBTOR'S RESPONSE TO THE MOTION OF AICCO, INC.
FOR RELIEF FROM THE STAY AND FOR ADEQUATE PROTECTION**

TO: THE HONORABLE BARBARA J. HOUSER,
UNITED STATES BANKRUPTCY JUDGE:

Superior Air Parts, Inc., Debtor and Debtor-in-Possession ("Debtor") responds to the Motion for Relief from the Automatic Stay and for Adequate Protection filed by AICCO, Inc. ("AICCO") to allow it to exercise any and all rights under a Premium Finance Agreement dated September 8, 2008 and in support would respectfully show:

I.

JURISDICTION

1. On December 31, 2008, (the “Petition Date”), Debtor filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”) with the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (the “Bankruptcy Court”). The Debtor continues to operate its business and manage its properties and assets as a debtor-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code. An unsecured creditors committee has been appointed in the case.

2. The Bankruptcy Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157. This Motion involves a core proceeding pursuant to 28 U.S.C. § 157(b).

3. Venue is proper with the Bankruptcy Court pursuant to 28 U.S.C. § 1408.

II. BACKGROUND

4. The Debtor is a Texas corporation with its offices and operating facilities located in Coppell, Dallas County, Texas. It is one of the largest suppliers of parts under Federal Aviation Administration’s (“FAA”) Parts Manufacturer Approval (“PMA”) regulations for piston engines. It provides Superior-brand parts for engines created by two primary original equipment manufacturers (“OEMs”), the Continental division of Teledyne, Inc. and the Lycoming division of Textron, Inc. Its customers are companies that perform maintenance and overhaul work in the general aviation industry. The Debtor is also an OEM for the (i) 180-horsepower Vantage Engine and (ii) Superior or owner-built XP-360 Engine for various aircraft companies.

5. On December 30, 2008, the Debtor entered into an asset purchase agreement (“APA”) with Avco Corporation (“Avco”), a wholly-owned subsidiary of

Textron, Inc, wherein Avco agreed to buy substantially all of the Debtor's assets, subject to adjustments for inventory reductions. One of the conditions of the purchase agreement was that the purchase be consummated through a Chapter 11 bankruptcy proceeding. This Chapter 11 case was filed to liquidate the assets of the Debtor and to obtain the highest and best price for creditors, either through the APA with Avco, or a public auction.

6. The Bankruptcy Court approved Superior's Expedited Motion to Approve Bid Procedures for Sale of Substantially All of Debtor's Assets Free and Clear of Liens (Docket No. 43). Under the bid procedures, an auction of the Superior's assets is to be held on February 24, 2009 at 9 o'clock a.m. A hearing to approve the sale of Superior's assets will be held on February 24, 2009 at 3:15 p.m., pursuant to which Superior's assets will either be sold to Avco under the APA or the highest and best bidder at auction.

III. **RESPONSE TO AICCO'S MOTION**

7. The installment payments were accepted by AICCO. The policy subject of the Premium Finance Agreement is a Commercial General Liability Aviation Policy issued by Illinois National Insurance Company. The Debtor paid the January 1, 2009 installment, including late fees and the February 1, 2009 installment due under the Premium Finance Agreement dated September 8, 2008.

8. The Debtor denies that cause exists under 11 U.S.C. §362 (d)(1) to grant AICCO relief from the automatic stay and that t AICCO is not adequately protected. The outstanding installment payments have been made and AICCO holds a security

interest in and the right to receive all unearned premiums and other payments under the financed policy. The Debtor denies that AICCO's collateral is declining in value.

9. The Debtor denies that AICCO is entitled to relief under 11 U.S.C. §362(d)(2). The Debtor specifically denies that AICCO has no equity in the policies and that they are declining in value. The Debtor also denies AICCO's allegation that the policies are not necessary for the Debtor's effective reorganization through an orderly liquidation and distribution of assets.

10. The Debtor anticipates that it will reach an agreement with AICCO and that an agreed order that will be submitted to the Court for approval.

WHEREFORE, the Superior Air Parts, Inc. requests the Court deny AICCO's Motion in its entirety and grant the Debtor such other and further relief as is just.

Dated: February 9, 2009.

Respectfully submitted,

/s/ Robert P. Franke

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**ATTORNEYS FOR DEBTOR SUPERIOR AIR
PARTS, INC.**

CERTIFICATE OF SERVICE

The undersigned certifies that true and correct copies of the foregoing pleading were served on the parties listed below and on the attached service list by filing the Response via the Court's electronic noticing system (ECF) to the parties receiving notice via ECF or first class U.S. Mail, postage prepaid, on the 9th day of February, 2009.

/s/ Robert P. Franke

Robert P. Franke

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